DOCUMENT RESUME

ED 187 172 HE 012 542

TITLE Fiscal Options for Postsecondary Education in New York State in a Period of Declining Enrollment.
INSTITUTION New York State Univ. System, Albany.
PUB DATE Dec 79
NOTE 37p.

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS *College Planning; Community Colleges; *Educational Finance; Educational Objectives; Federal Aid; *Futures (of Society); Government Role; Government School Relationship; Higher Education; Institutional Administration; Postsecondary Education; Private Colleges; *Resource Allocation; *State Aid; State Boards of Education; State Colleges; State Universities; *Statewide Planning; Student Financial Aid; Tables (Data)
IDENTIFIERS *New York

ABSTRACT

In order to stimulate discussion of the future of postsecondary education in New York State, issues and options are suggested to consider in developing institutional plans for the 1980's. They may be incorporated into the Board of Regents statewide plan. The role of the state in financing higher education is discussed, with tables showing recent state appropriations to institution groups and related state agencies and student aid programs. Revenues are also presented. General considerations in formulating postsecondary education financing strategies are examined: fiscal prospects of the state, inflation, economies of scale, institutional autonomy and program interrelationships, and coordinating with federal programs. Discussed briefly are relationships between financing mechanisms and objectives in the state, ranked according to their effectiveness in theory. Some alternative financing mechanisms are proposed: the Tuition Assistant Program, a grant program with a sliding scale for family income, merit-based scholarships, the Bundy Aid program to independent colleges, aid for disadvantaged students, appropriations for public institutions, special grants for endangered institutions, institutional transition grants for colleges and universities changing their missions or program mixes, institutional planning grants, support for graduate programs and research, special construction and renovation grants, student loans, centers of excellence grants, student information services, and medical and dental school aid. Suggestions are given for developing a financing strategy and resource calculations. A brief list of references is included. (MSE)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED187172

HE

FISCAL OPTIONS FOR POSTSECONDARY EDUCATION IN NEW YORK STATE IN A PERIOD OF DECLINING ENROLLMENT

U.S. DEPARTMENT OF HEALTH
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY.

PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

N.Y. State Ed Dept

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC).

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Albany, New York 12230
December 1979

HE 012 542

FISCAL OPTIONS FOR POSTSECONDARY EDUCATION IN NEW YORK STATE IN A PERIOD OF DECLINING ENROLLMENT

November 1979

This paper has been prepared to stimulate discussion of issues and alternatives for postsecondary education in New York State in the 1980's. It does not reflect official positions of either the Board of Regents or the State Education Department.

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Office of Postsecondary Education Policy Analysis
Albany, New York 12230

MAR 3 1 1980

THE UNIVERSITY OF THE STATE OF NEW YORK

Regents of The University (with years when terms expire)

1981	Theodore M. Black, A.B., Litt.D., LL.D., Pd.D., D.C.L., L.H.D. Chancellor	Sands Point
1988	Willard A. Genrich, LL.B., L.H.D., LL.D., Litt.D Vice Chancellor	Buffalo
1986	Kenneth B. Clark, A.B., M.S., Ph.D., LL.D., L.H.D., D.Sc.	Hastings on Hudson
1983	Harold E. Newcomb, B.A.	Owego
1982	Emlyn I. Griffith, A.B., J.D.	Rome
1983	Mary Alice Kendall, B.S.	Rochester
1984	Jorge L. Batista, B.A., J.D., LL.D.	Bronx
1982	Louis E. Yavner, LL.B.	New York
1986	Laura Bradley Chodos, B.A., M.A.	Vischer Ferry
1980	Martin C. Barell, B.A., I.A., LL.B.	Kings Point
1981	Joseph R. Bongiorno, B.S., M.D.	Brooklyn
1984	Louise P. Matteoni, B.A., M.A., Ph.D.	Bayside
1981	J. Edward Meyer, B.A., LL.B.	Chappaqua
1985	Arlene B. Reed-Delaney, B.A., M.D.	Albany
1987	R. Carlos Carballada, B.S.	Arcade

President of The University and Commissioner of Education
GORDON M. AMBACH

Executive Deputy Commissioner of Education
JOSEPH J. BLANEY

Deputy Commissioner for Higher and Professional Education
DOROTHY HARRISON-BLANEY

Assistant Commissioner for Postsecondary Education Policy Analysis
MARY JANE SMALLEY

Coordinator, Office of Postsecondary Research, Information Systems and Institutional Aid
PAUL WING

FOREWORD

This paper has been prepared to promote discussion of the future of postsecondary education in New York State. It suggests issues and options that institutions and others need to consider in developing their plans for the 1980's and that may be incorporated into the Regents 1980 Statewide Plan for Postsecondary Education in New York State.

The paper has four broad objectives: First and foremost, it indicates that just as there will be limited numbers of college students in the future, there will be limited numbers of dollars. Second, the paper argues that financing mechanisms should be related to objectives for postsecondary education and the State. Third, to stimulate future work by planners and analysts, it describes a number of financing mechanisms for postsecondary education that might be employed in New York State. Finally, it suggests an approach to studying resource requirements and implications that is relevant to the development of financing strategies.

All aspects and levels of detail of the problem of financing postsecondary education should come under scrutiny and be discussed fully before any strategy is finally recommended. Because we are in the early stages of development of these ideas, however, many of the details in this paper have <u>not</u> received broad review and discussion. They are included nevertheless to illustrate a general approach and to suggest some of the possibilities. Readers are encouraged, therefore, not to be too concerned about the details. It is more important to understand the environment and the general process involved.

The paper was prepared by Paul Wing with the assistance of Glenwood Rowse. Questions, comments, and suggestions can be directed to Paul Wing at (518) 474-5091.

STATE FISCAL OPTIONS IN A PERIOD OF DECLINING ENROLLMENTS

ABSTRACT

The State of New York provides significant support for postsecondary education, approximately $1.5 billion in 1978-79. Given the expected decline in enrollments across the State over the next 15 years, it is important to determine what changes in funding patterns and financing mechanisms should be made to best serve the needs of the State, the postsecondary education community, and prospective students. This paper provides a basis for discussion of this important question.

Ultimately, financing mechanisms for higher education should be designed and funded with knowledge of how they will support or hinder state goals and objectives. Table 3 suggests the relationships that exist between current and proposed postsecondary education funding mechanisms and a number of important objectives. Using this as a starting point, the kinds of trade-offs that are necessary in constructing a total financing strategy are explored using a number of different "mixes" of mechanisms. In discussing possible financing mechanisms, special attention is given to several that may help institutions to respond to declining enrollments. Illustrative calculations are also provided suggesting one possible approach to evaluating overall resource needs of postsecondary education in a period of declinging enrollment.

INTRODUCTION

Postsecondary education in the United States is moving into a period of significant changes, most of which will be related to declining enrollments. The northeast and New York State will probably observe greater than average changes. More on this can be found in the recent paper by Rowse (1979).

The most obvious change will be the decline in full-time undergraduate enrollment that will result from the decline in enrollments now passing through the elementary and secondary schools. The general environment of fiscal restraint and inflation is also likely to have a tempering influence on postsecondary education More subtle, but potentially an important influence on higher education, will be the changing mix of income levels and racial/ethnic backgrounds of potential students, particularly in major urban areas. Colleges and universities may need to make significant adjustments in financial aid programs, counseling and program content to serve these new clients adequately.

The Role of New York State in Financing Higher Education

The State of New York devotes considerable resources to postsecondary education, approximately $1.5 billion in 1978-79. This represents approximately 13 percent of the total State budget, a proportion that has remained relatively constant in recent years. This allocation also represents approximately one third of total higher education current fund expenditures. Tables 1 and 2 describe this support in more detail.

Given the extent of current State support and the changes that are expected in the future, a number of questions should be addressed:

1) What financing mechanisms and strategies should the State of New York use in the future to support postsecondary education?
2) To what extent would these mechanisms support State goals and objectives?

Table 1

State Appropriations for Postsecondary Education
State Fiscal Years for 1975-76 through 1978-79
(in millions)

	1975-76		1976-77		1977-78		1978-79		1979-80		Change 1975-6 to 1979-80	
	amount	percent	amount	percent	amount	percent	amount	percent	amount	percent	amount	percent
State University of New York[1,2]	$ 667.4	54.3	$ 636.7	50.0	$ 688.3	50.6	$ 787.8	51.7	$ 818.4	51.3	$ 151.0	22.6
City University of New York[2]	140.4	11.4	130.8	10.3	129.8	9.6	166.9	10.9	177.3	11.1	36.9	26.3
Community College[3]	148.0	12.0	156.0	12.2	157.0	11.5	164.2	10.8	171.0	10.7	23.0	15.5
Aid to Independent Institutions												
Bundy Aid	57.4	4.7	62.7	4.9	66.6	4.9	68.0	4.5	68.0	4.3	10.6	18.5
Health Professions	19.0	1.5	16.1	1.3	14.1	1.0	16.6	1.1	13.8	0.9	(5.2)	(27.4)
Special Grants[4]	.8	0.1	o	-	2.6	0.2	1.8	0.1	2.5	0.1	1.7	212.5
Student Aid												
TAP	103.5	8.4	184.2	14.5	214.6	15.8	238.2	15.6	253.6	15.9	150.1	145.0
All other	29.5	2.4	25.7	11.9	23.9	1.8	21.5	1.4	31.1	2.0	1.6	5.4
Programs for the Disadvantaged	44.2	3.6	39.0	3.1	36.4	2.7	36.9	2.4	38.1	2.4	(6.1)	(13.8)
Other NYSED	7.9	0.6	8.0	0.6	9.9	0.7	10.0	0.7	9.5	0.6	1.6	20.3
Other SUNY	2.2	0.2	2.1	0.2	3.4	0.2	2.9	0.2	3.6	0.2	1.4	63.6
Other State Agencies	9.4	0.8	12.8	1.0	13.7	1.0	9.6	0.6	7.6	0.5	(1.8)	(19.2)
TOTAL APPROPRIATION	$1,229.7	100.0	$1,274.1	100.0	$1,360.3	100.0	$1,524.4	100.0	$1,594.5	100.0	364.8	29.7
State Revenues	$9,974.0		$10,611.0		$11,302.0		$11,974.0					
Total Higher Education Current Fund Expenditure (from all sources)	$4,043.0		$4,216.0		$4,372.0(est.)		$4.520.0(est.)					
Total Approp. % of State Rev	12.3%		12.0%		12.0%		12.7%					
Total Approp. % of Total Exp.	30.4%		30.2%		31.1%		33.7%					

[1] Regular Operations Adjusted

[2] Excludes Community Colleges

[3] Includes both SUNY and CUNY Community Colleges

[4] Einstein-Schweitzer Chairs, Education of Native Americans, Vermont/Sackler Medical Contracts, Regional College Cooperative Service Boards

SOURCE: NYSED, Postsecondary Education Systems (7/25/79)

TABLE 2
NEW YORK STATE
New York State Support of Postsecondary Education
By Sector
Showing Support as Percent of Current Fund Revenues
1977-78

Sector	Current Fund Revenues	Tuition Assistance and Regents Scholarship		Bundy Aid		Medical/ Dental Capitation		New York State Government Appropriations[a]		New York State Government Grants and Contracts		Total New York State Appropriations, Contracts Institutional and Student Aid	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
SUNY	$1,445,703,599	$ 54,468,991	3.77	--	--	--	--	$762,432,772	52.74	$19,822,272	1.37	$ 836,724,035	57.88
Community Colleges	275,998,689	17,609,159	6.38	--	--	--	--	89,580,210	32.46	1,175,732	0.43	108,365,101	39.26
CUNY	479,380,000	68,393,630	14.27	--	--	--	--	212,678,000	44.37	6,041,000	1.26	287,112,630	59.89
Community Colleges	152,229,000	30,316,672	19.92	--	--	--	--	54,236,000	35.63	114,000	0.07	84,666,672	55.62
Independent	2,509,581,638	94,115,831	3.75	$65,867,860	2.62	$11,852,631	0.47	587,192	0.02	19,431,634	0.77	191,855,148	7.64
Bundy	2,373,666,165	81,613,353	3.44	65,867,860	2.77	11,852,631	0.50	202,201	0.01	18,390,345	0.77	177,926,390	7.50
Non-Bundy	135,915,473	12,502,478	9.20	--	--	--	--	384,991	0.28	1,041,298	0.77	13,928,758	10.25
Proprietary	39,637,435	11,952,389	30.15	--	--	--	--	--	--	149,726	0.38	12,102,115	30.53
Regents External Degree Program (REDP)	1,215,788	80	0.01	--	--	--	--	--	--	--	--	80	0.01
TOTALS	$4,475,518,460	$228,930,921	5.12	$65,867,860	1.47	$11,852,631	0.26	$975,697,964	21.80	$45,444,632	1.02	$1,327,794,008	29.67

[a]"New York State Appropriations" for the Bundy institutions excludes funds paid to them under Bundy Aid and Medical and Dental Capitation Aid.

NYSED: Postsecondary Information Systems (TMT/12 July 79).

3) Can strategies be identified that will assist institutions to make smooth transitions through the period of change?

This paper is an attempt to focus attention on these questions. It suggests an orderly way of viewing the planning and resource allocation environment of postsecondary education and argues that State financing strategies should be designed to encourage achievement of State goals and objectives.

The paper does not deal with the question of what share of total State appropriations should be devoted to postsecondary education. This can only be dealt with in light of more specific proposals for both postsecondary education and other major program areas, nor does the paper propose specific formulas and aid programs, although some illustrations are provided. The task of identifying and describing in detail the specific mechanisms is one that must follow the more general formulations and procedures suggested in this paper.

GENERAL CONSIDERATIONS IN FORMULATING POSTSECONDARY EDUCATION FINANCING STRATEGIES

Any attempt to formulate financing strategies for postsecondary education must take into account a number of situations and factors that are intimately related to both resource requirements of colleges and the availability of resources. Several are discussed below as a prelude to the next three chapters which are the heart of the paper.

Fiscal Prospects of New York State

Much has been said in recent years about the financial difficulties of New York State. The fundamentals of the situation are as follows: New York State is experiencing a decline in its share of national population, personal income, and employment. This decline is attributable in part to the relatively high levels of compensation, taxation, and public spending in the State. Statistics shown in the Appendix suggest that it will take many years of concerted effort to bring the State back into line with the national averages.

The implications of this situation for postsecondary education and all other programs dependent on State resources are extremely important. Any short-term increase in funding, unless offset by decreases for other programs, may hinder the achievement of the long-term objective of fiscal stability for the State. Some claim that unless significant cuts in public spending are made in the short run, little or no improvement in the long-term fiscal and demographic prospects of the State can occur. Although it may ultimately be possible to justify real increases in State funding for postsecondary education, it would be unrealistic to rely totally on this prospect. In fact, planners should give equal attention to the possibility that there will be fixed or even reduced State resources.

Inflation

Inflation will tend to reduce the purchasing power of fixed-formula allocations such as the one used in the Bundy aid and TAP programs. Other things being equal, this will have the effect of reducing support for those programs and institutions covered by such programs.

Economies of Scale

Evidence of economies of scale in colleges and universities is not conclusive, and quantitative estimates are not reliable. However, economies of scale probably do exist for most programs and functions. To the extent that they do, programs and institutions funded through formulas and procedures based on average costs will lose support in periods of decline because the cost reductions will be smaller than the average revenue reductions.

This situation will have different impacts on different aspects of institutional operations. For example, even if significant reductions in instructional costs were possible on a particular campus in the face of declining enrollments, other units of the college may not be able to reduce expenditures significantly without undermining their respective operations. The specific patterns will vary from campus to campus, but the same kinds of situations will exist. Small institutions will generally face bigger problems because the loss of any individual faculty or staff member may jeopardize an entire program or function.

Institutional Autonomy and Program Interrelationships

The postsecondary education system in New York State has a variety of aspects and elements (for example, programs, institutions) that are interrelated in complex ways. These elements have evolved over the years in response to pressures from both inside and outside higher education and in general they

exist in a coordinated balance. In fact, the balance is such that complete elimination or significant changes in major programs at either the State or campus levels (for example, TAP, a large institution, a major instructional department) would have major repercussions on other aspects of the system.

In developing financing strategies it is extremely important to consider the full range of programs and functions. The State should not suddenly decide, for example, to withdraw all support from graduate programs. Such an action might damage undergraduate programs irreparably. Similarly, it is important to consider the full range of programs: research, public service, support programs, capital, and student aid. Significant shifts in the mix of support to the four sectors (SUNY, CUNY, independent, and proprietary) also need to be considered carefully.

This does not rule out significant changes in the long run, but it does indicate the need for coherent, stable policy statements that can guide postsecondary education through periods of change. It also suggests that a good deal of attention needs to be devoted to the trade-offs inherent in alternative fiscal strategies.

Limited State Resources

Although some flexibility may exist in total State resources for postsecondary education, more dollars to one function or program or institution will generally mean less will be available to others. The trade-offs between different objectives, programs, and activities should be carefully considered in the development of any financing strategy. It would be unfortunate if the State were to "mortgage the future" of higher education in the interest of some limited short-term objectives.

Coordination with Federal Programs

The Federal government plays a significant role in financing postsecondary education, particularly with respect to student aid. It is important to ensure that State financing programs and policies are coordinated with Federal initiatives to avoid unnecessary dislocations when major changes are made at the Federal level. This paper does not deal with this topic although the frame of reference described in the next chapter could be expanded to do so.

RELATIONSHIPS BETWEEN FINANCING MECHANISMS AND OBJECTIVES FOR POSTSECONDARY EDUCATION

Perhaps the most important desideratum for any State financing strategy for higher education is that it provide incentives consistent with State goals and objectives. To achieve this, dollars and resources should be put into programs and mechanisms that will help to achieve desired objectives. This in turn requires information and insights about the relationships between specific financing mechanisms and objectives. Table 3 is a preliminary attempt to identify these relationships in order to provide a basis for further discussion.

The list of objectives in Table 3 reflects the major objectives of the Board of Regents for higher education in New York State, that is, access and quality. The inclusion of a number of more detailed, "subsidiary" objectives, permits one to focus on special needs more easily. The list is not final or official; it is one possible set of objectives that could be used to guide State policy. It includes a couple of objectives not directly related to higher education, but nevertheless relevant to the formulation of postsecondary education financing strategies.

The list of possible financing mechanisms is likewise just a starting point for discussion. It includes the major existing financing mechanisms, and it also includes a number of possible new mechanisms that might be added or substituted in the future. Ultimately, specific procedures and parameters would have to be defined for any of these mechanisms that might actually be implemented.

The cells in the matrix itself suggest the basic relationship between each financing mechanism and the different objectives. A +3 indicates that the mechanism strongly supports the objective and that more resources provided through the mechanism will result in greater achievement of the objective. A -3 indicates that the mechanism strongly conflicts with the objective and that more resources will hinder achievement of the objective.

TABLE 3

RELATIONSHIPS BETWEEN DIFFERENT FINANCING MECHANISMS AND OBJECTIVES FOR HIGHER EDUCATION PER DOLLAR OF PUBLIC EXPENDITURE

OBJECTIVE / FINANCING MECHANISM	Tuition Assistance Program	Merit-Based Scholarships	Bundy	Aid for Disadvantaged Students	Appropriations for Public Institutions	Grants for "Hard Pressed" Institutions	Institutional Transition Grants	Institutional Planning Grants	State $ for Research	Construction Projects and Grants	Student Loans	Centers of Excellence Grants	Student Information Services	Medical/Dental School Aid
*	$238M	$22M	$68M	$37M	$1,119M	0	0	0	?	?	?	0	0	$14M
General Access	+2	+1	+1		+3			+1			+2		+1	+1
Access for Disadvantaged	+2			+3	+1		?	+1			?			
Diversity of Opportunity	+3	+1	+1		+1	+1	?	?			+1	?	+1	+1
High Quality Programs		+1	+1		+1		+2	+2	+2	+1		+3		+1
Institutional Autonomy			-1		-1			+1	-1		+1			-1
Strong Graduate Program			+1		+1		+1	+1	+1	?		+3		+1
Strong Research Activities			+1		+1				+3	?		+1		
Encouraging Business and Industry				+1					+1	+1		?		
Orderly Transition through Decline	+1					?	+3	+3		?		+1	+2	

Scale: +3 (very efficient) to -3 (very dysfunctional)
*1978-79 appropriations

The intervening numbers represent scores on this general scale. A question mark indicates uncertainty. The designations in the matrix are tentative, based on limited analysis and discussion. However, accuracy is secondary at this point to the illustration of general relationships that need further study.

It would be possible to extend the financing mechanism dimension of the matrix to include Federal or local or private sources of support for postsecondary education activities. This would permit exploration of possible duplication, overlap, or conflict between different Federal and State mechanisms. It might also be useful in identifying or evaluating possible responses to changes in these external programs or their funding levels. This task is beyond the scope of this paper.

An important point to remember is that any decision to allocate new resources to any mechanism (that is, without a comparable reduction in resources to other mechanisms) may prolong the State's fiscal and demographic decline. In this context, questions of cost-effectiveness and priorities become critical. How can the State best allocate its limited resources to meet the postsecondary education needs of its citizens?

ALTERNATIVE FINANCING MECHANISMS FOR POSTSECONDARY EDUCATION

Fourteen different financing mechanisms for postsecondary education in New York State are listed in Table 3. These include not only the four major existing mechanisms, but also several possible new ones that might be introduced to serve special needs of the State and the colleges and universities. Each is described briefly below along with an assessment of its major consequences.

Tuition Assistant Program (TAP)

The Tuition Assistance Program provides an offset to tuition for students attending college on a full-time basis in New York State. Awards are made on a sliding scale depending on the income of the students or their families. The maximum award is currently $1,800 or actual tuition, whichever is less. Awards are available to students of families with net taxable incomes less than $20,000. Smaller awards are also available for graduate students.

This program undoubtedly improves access to higher education in New York State. Because the maximum award is higher than public tuition, it also helps to reduce the "tuition gap" between public and independent institutions, supporting greater diversity of choice for student.

It has been widely proposed that the TAP program be expanded to include awards for part-time as well as full-time students. This would almost certainly result in increased access to higher education and it might help to offset some of the decline expected in full-time undergraduate enrollment through increased part-time enrollment. In addition, with the increased choice they would have between full-time and part-time status, more individuals would be able to choose the "best" kind of involvement for their needs.

Part-time TAP may also result in declines in full-time enrollments as some students switch to part-time status. Depending on retention patterns, part-time TAP could result in a decline in FTE enrollment. In addition, institutions may underestimate the adjustments necessary to accommodate increasing part-time enrollments. New hours of operation, special counseling, new student aid packages, different locations, and even new programs may be necessary to meet the needs of these new clients. The cost of providing those new services may be significant, and considerable thought should go into any decision to pursue aggressively the part-time or adult student. If adequate services are not provided the students may drop out and not return to college.

Merit-Based Scholarships

New York State has for many years provided scholarship aid to students based on merit. Two such programs, the Regents College Scholarships and the Regents Nursing Scholarships, have modest fixed awards for NYS residents attending institutions in New York State regardless of income. The Lehman Fellowships provide significant awards for graduate students attending New York State institutions in selected fields of study, also with no regard to income. The Regents Medical and Dental Scholarships are also merit-based, but their award schedule is based on income.

These programs undoubtedly help to defray college expenses as well as encourage attendance in New York State institutions. However, merit-based scholarships are generally viewed as relatively costly policy instruments because, except where the awards are large, most money goes to students that would have chosen the same institution without the award. In any case, a great deal of money is required to have a significant impact on attendance patterns.

Bundy Aid

The State also provides significant direct assistance to independent institutions through the so-called Bundy Aid program. This program provides aid based on the numbers of degrees awarded to those independent institutions that are not controlled by religious organizations and are not involved in propogating specific religious tenets. The award schedule is:

Degree Level	1979-80	1980-81
Associate:	$ 330	$ 450
Bachelors:	940	1,200
Masters:	650	900
Doctoral:	3,100	4,500

Bundy aid enables independent institutions to enhance the quality of their offerings and to promote access to higher education. It does tend to create dependence on the State for continued support which, if withdrawn, would create problems for many institutions.

Aid for Disadvantaged Students

The State currently funds several aid programs for economically and educationally disadvantaged students: the Higher Education Opportunity Program (HEOP) for independent institutions, the Educational Opportunity Program (EOP) for the State University, and the Search for Education and Elevation through Knowledge (SEEK) and College Discovery (CD) programs for the City University. In addition to student aid stipends, these programs provide for special counseling and other support services for eligible students.

These programs have improved the chances for successful completion of college programs for economically and educationally disadvantaged students. As these students become a larger proportion of the total student body because of demographic changes already in motion, the need for the programs is expected to become even greater.

An argument can be made that, unless special attention is given to serving the special economic and instructional needs of these students, especially in New York City, the general skill and educational levels of the population will slide and employers will find it increasingly difficult to recruit workers and supervisors. Ultimately, this could aggravate problems in private industry and result in departure of business and industry from the State. It could also lead to increasing problems of unemployment and increase income differentials between rich and poor which could result in serious social problems. Aid programs for disadvantaged students should be considered very carefully in light of these considerations. They may play a critical role in the future economy of the State.

Appropriations for Public Institutions

The largest element of the current financing strategy for higher education is direct support of the State and City Universities which accounted for 70 percent of the State appropriations in 1978-79. This provides for most aspects of the operation of the public campuses in the State.

The public colleges and universities play a critical role in providing access to higher education in the State, currently enrolling a majority of the students. Their wide range of programs and settings and their relatively low cost to students are important to the diversity of opportunities in the State.

Special Grants for "Hard Pressed" Institutions

It is conceivable that the expected decline in enrollment in the 1980's may force a number of high quality, well-regarded institutions to the brink of closure or alternatively, to compromise their academic standards. The Education Department intends to monitor closely the quality of programs, but there remains the question of whether the State should step in with special aid that would enable institutions to operate despite "excessive costs." Such a program might

be operated on a student capitation basis. It might be set up as a supplement to the Bundy program, or equivalently involve the establishment of one or more additional categories of state-aided colleges as in Pennsylvania. It might also provide very specific grants, for example, to cover the salary of one or two faculty members that would otherwise have to be let go, or to buy out the contract of a faculty member that otherwise would not go. This kind of aid would probably be given primarily to smaller institutions facing problems related to differences in revenue losses and cost savings during decline.

Considerable effort would have to be devoted to the specific criteria to be used in selecting the institutions to receive these awards. It would be a serious mistake to provide too many institutions with such aid, otherwise the State would end up supporting many inefficient institutions that could not survive in the open market. Such a program could, however, be used to save a few institutions that may be important elements in the overall higher education system in New York State.

Institutional Transition Grants

One way for institutions to respond to a decline in enrollments is by modifying their programs or changing their program mix. This generally involves significant expense in terms of faculty and staff effort in evaluating, reviewing, and developing curricula and then shifting staffing patterns, revising catalogs, and informing the public. Such changes require resources, and in the 1980's they will become increasingly hard to finance. In fact, the very changes that might make an institution viable and competitive may be unaffordable without assistance. With the proper kinds of supporting plans and documentation, it might be possible for the State to provide special grants to cover certain transition costs. Properly conceived, this could provide a useful and not too oppressive instrument for encouraging certain kinds of changes in the total

system, including reductions in enrollment at individual campuses. As with the previous mechanism, the development of procedures and criteria would not be easy. But the potential pay-off in terms of institutional viability could be significant.

Such a program should probably be open to all institutions, public and private. Funding should be available for a limited period of time such as one or two years.

This same sort of mechanism could be employed to provide for a smooth transition to closure. For example, it could help to ensure that students and staff can finish out the year at an institution that would otherwise be financially insolvent.

Institutional Planning Grants

One important element in any effective strategy for coping with declining enrollments is planning. This term covers many activities but generally refers to the identification and evaluation of alternative programs, activities and strategies for accomplishing desired objectives.

Because of the expense of planning and the lack of experience on some campuses, the State could provide special planning grants to individual institutions. These could support improved campus-level information systems and analytical capabilities as well as a variety of planning studies. Ultimately, these should lead to programs and activities that are more realistic in terms of an institution's ability to attract students and generage revenues. This should lead in turn to more effective use of both institutional and State resources as well as increased institutional autonomy.

Support for Graduate Programs and Research

Currently, the State of New York provides support for graduate education at SUNY and CUNY, as well as support in the independent sector, primarily through Bundy Aid and TAP. The question is whether, through greater support

for graduate education and research, either broad-based or selective, the State could enhance the position of universities in New York State and, more importantly, provide a partial basis for encouraging certain kinds of business and industry in the State.

Financial assistance could focus on instructional programs at the graduate level through an increase in the graduate TAP award schedule, through institutional grants such as the Bundy program, or through special grants aimed at certain disciplines or programs. It could also be distributed in the form of research contracts or grants tied to special topics and interests such as health or high technology. The grant programs of State Health Research Council and the Science and Technology Foundation are examples of mechanisms that might be used. The State could also encourage university/industry cooperation in the hope that it could lead to business expansion that would result in increased employment and prosperity.

Special Construction/Renovation Grants

Although there will be no overall needs for additional space in the foreseeable future, colleges and universities cannot afford to let their physical plants deteriorate. In some program areas such as the hard sciences and new technologies, new equipment and building modifications may be the key to a high quality program. To the extent that such programs may tie in with the development and encouragement of new business ventures in the State, it may be appropriate to establish special programs to fund construction and equipment acquisition. This is particularly true in light of the fact that certain kinds of technical facilities and equipment become obsolete so rapidly and are increasing in cost far faster than the general rate of inflation.

On a more general level the State could consider reviewing instructional facilities and equipment to ensure that they are of sufficient quantity and quality to serve the needs of students. This might extend into libraries and other support facilities as well as classroom buildings and instructional equipment.

Student Loans

Student loan programs have long been an important part of the total student financial aid picture. Loans are often necessary to enable certain students, particularly those in the "middle income" category, to attend college. They have the added appeal that, at least nominally, loans do not involve cost to the lender. Defaults and administrative costs can be significant, however, and cannot be overlooked.

Additional loans for students would be expected to promote general access to postsecondary education. They would presumably be most useful for students planning to attend expensive institutions or programs and would therefore help to reduce cost differentials and increase diversity. To the extent that they are not tied to specific types of institutions or activities by institutions, loans will also support institutional autonomy.

Centers of Excellence Grants

One of the hallmarks of the higher education system in New York State is its high quality. There is always room for improvement, however, and as enrollments decline, it may be appropriate for the State to provide special grants to establish or support "centers of excellence." These grants might be tied in with planning grants and transition grants as described above.

One possible approach would be to identify existing programs and institutions of particularly high quality, a task likely to be highly controversial. Using a variety of guidelines to ensure reasonable distribution of grants (e.g., limit of perhaps one grant per institution), one or possibly more programs in each of a number of key fields of study would be selected for special funding. The special advantage given to these centers would create incentives for other institutions to abandon weak programs. This would encourage more program selectivity and better definition of institutional missions. In the long run this would help to ensure that the State has high

quality offerings in key program areas and permit these centers to to compete more effectively for the best students, from both in-state and out-of-state.

Student Information Services

Any student aid program, regardless of the objectives of its designers, carries with it the basis for allocating resources to programs and institutions. By the attendance choices that the students make they in effect allocate the student aid dollars. Depending on the size and design of the aid program, the power given to students can be significant.

Attendance decisions that students make are complex and are not well understood. They involve personal attitudes of student, pressures from family and peers, as well as information and opinions about the programs and institutions. Questions are often raised about whether students have access to information of the right kinds to enable them to make the best choices.

Although a resourceful and persistent student can probably find the answers to nearly all the factual questions they may have, certain kinds of information can be elusive. The State has taken some preliminary steps to ensure that certain basic information is available in college catalogs. However, more could be done. For example, the State could produce its own version of Lovejoy's or Barron's to provide basic information about colleges to students and prospective students; or it could provide more accurate data to the publishers of these commercial products. This kind of "student information service" probably would not involve any direct aid to either students or institutions. Funds would be provided for some office in State government to compile and display the relevant data and publish or disseminate them through appropriate mechanisms. To the extent that better information actually does lead to better decisions by students (however that might be measured), the resources would be well spent.

Medical/Dental School Aid

The discussion of higher education financing mechanisms would not be complete without mention of the State's medical/dental capitation aid programs. These programs are designed primarily to support independent medical and dental schools to ensure that they continue to educate physicians and dentists to serve the health care needs of the State. But as with other programs they also serve other purposes: they help to reduce the tuition gap between public and independent schools and thereby promote access and freedom of choice; they help to keep the schools from being a burden on their parent institutions; and they permit enhancements to program quality that would otherwise be impossible.

Actually, these programs can be viewed as prototypes of the centers of excellence grants or possibly of the grants for "hard pressed" institutions suggested above, depending on how one views the status of the schools. They are particularly important, however, because of the relationships with broader State goals and objectives related to health.

DEVELOPING A FINANCING STRATEGY

Once all the individual mechanisms are identified, the next step is to determine what the total strategy should be, that is, the resources that ought to be devoted to each mechanism. A great many combinations and variations are possible, even if resources are fixed, so the task is not likely to be a simple one. Nor will it be free of political considerations. It is not the purpose of this paper to identify and evaluate specific higher education financing strategies. However, it is possible to suggest a general process that might be followed and to lay out some ground rules for future discussions.

In developing realistic financing strategies it is important to recognize the trade-offs that are necessary. In terms of the strategies themselves, the trade-offs are in the dollars allocated through different mechanisms, but ultimately these will translate into trade-offs among the recipients the resources: the institutions, the programs, and the students. For this reason one would generally not expect any proposal that would require radical shifts in resources to be favorably received. The so-called voucher systems whereby most of the financing of higher education would be handled through student aid are examples. Because these programs are likely to result in significant shifts in resources from public to independent higher education, there would be significant resistance to them.

Actually the current postsecondary education financing system in New York State is quite effective. It meets most of the objectives laid out in Table 3, and if it were not for the impending decline in enrollments, it would probably suffice in the future. The declines, however, and the general fiscal prospects of the State, suggest the need for modifications. Three principles can be suggested that may help in the formulation of more effective strategies for

the future: First, the postsecondary education system is so diverse that no single financing mechanism will suffice. A mixed strategy must be employed. Second, the elements in the final strategy should support important objectives of the State and postsecondary education. Third, careful attention needs to be devoted to identifying and evaluating incentives and tradeoffs created by alternative strategies.

In developing and evaluating alternatives, and in selecting the final strategy, four steps should be taken:

1) Agree on the important objectives for postsecondary education, as in Table 3;
2) Agree on the specific mechanisms that can be used to allocate resources, as in Table 3;
3) Establish priorities for postsecondary education funding shifts, including where cuts should be made to free up resources;
4) Ultimately, tradeoff postsecondary education priorities against priorities in other major program areas such as health and welfare.

These activities should necessarily involve a great deal of dialogue and discussion among the interested parties. Consensus is not required, but those making the final decisions should have firmly in mind the consequences of any resource reallocations, particularly if some institutions receive what appears to be "special treatment." In the end this should result in more informed decisions and presumably more effective use of public funds.

RESOURCE CALCULATIONS

The discussion so far has focused on the relationships between financing mechanisms and objectives for postsecondary education. These are important issues, but planners must be concerned about other questions as well. For example, how much money must be provided to higher education to enable it to operate effectively at a given enrollment level? Because many sources of revenue are linked in one way or another to enrollments, this is far from a trivial question. The decline in enrollments will reduce revenues from tuition and fees, State appropriations, Bundy aid, and other sources. The question is whether expenditures will be reduced an equal amount.

It is not possible to deal with these questions thoroughly in this paper, but an approach can be suggested. The major elements are shown in Table 4. This lists the major sources of revenues and expenditures for colleges and universities and indicates the respective percentages each of them represent for New State institutions in a recent year. It also lists the major change parameters expected to influence higher education finances between now and 1990. In this case, to simplify the discussions, the list is limited to two items: the enrollment decline and increases in energy costs. In practice, more changes could be included to simulate the effect or study the feasibility of different sets of assumptions about the future.

The next step in the process is to develop numerical estimates of the changes that will take place in the change parameters. In this case an 18 percent decline in FTE enrollments is assumed which is consistent with State Education Department projections. An increase in energy costs of 80 percent is

also estimated which is a guess based on current discussions in the press. This figure is based on constant dollars which means that energy will cost 80 percent more than today after taking inflation into account.

The change estimates are then applied to the appropriate revenue and expenditure items to obtain estimates of the changes that will occur in the financial status of higher education. In all cases the figures reflect constant dollars, adjusted for inflation. In this simple example it is assumed that revenues from State and local government, tuition and fees, and instruction, student services, scholarships and auxiliary enterprises are directly related to enrollments. The change for each of these items, therefore, is an 18 percent decline from the baseline figure. Plant operation and maintenance is assumed to be directly related to energy costs which generates a significant increase in this expenditure item. The changes for academic support and institutional support reflect the enrollment decline, but have been reduced less than the full 18 percent to reflect an assumption that relatively more planning, curriculum development, etc., will take place in 1990 than now because of the decline. This suggests some of the more subtle kinds of assumptions that might be incorporated into this analysis.

Table 4 shows quite clearly that, in this simple example, in contrast to the current situation of essentially balanced expenditures and revenues, expenditures will decline far less than revenues by 1990. In fact, the deficit would be on the order of 9.3 percent of $1.2 billion or over $110 million.

It is important to note that this example does not explicitly identify TAP and other State-financed student aid programs. Other things being equal, expenditures for these programs would decline by the equivalent of 4 percent

TABLE 4

RESOURCE IMPLICATIONS OF ENROLLMENT
DECLINES AND ENERGY COST INCREASES ON COLLEGE AND
UNIVERSITY REVENUES AND EXPENDITURES IN NEW YORK STATE

CHANGE PARAMETERS	BASELINE	CHANGE BY 1990*
Enrollments (FTE)	100%	-18 %
Energy Costs		+80 %
REVENUES (1978-79 basis)		
Federal	12%	0 %
State	25	-4.5
Local	8	-1.4
Private Gifts	6	0
Tuition and Fees	31	-5.6
Endowment Income	3	0
Auxiliary Sales	8	-1.4
Hospital Sales	6	0
Other	3	0
TOTAL REVENUES	100%	-12.9%
EXPENDITURES (1976-77 basis)		
Instruction	35%	-6.3%
Research	8	0
Public Service	3	0
Student Services	4	-0.7
Academic Support	5	-0.4**
Institutional Support	11	-1.0**
Plant Op & Maint	9	+7.0
Transfers (Debt)	4	0
Scholarships	5	-0.9
Auxiliary	8	-1.4
Hospitals	7	0
Independent	0.5	0
TOTAL EXPENDITURES	100%	-3.6%

*Changes are based on application of relevant major changes to the Baseline percentages. Zero entries mean no change assumed in the correspondence item.

**Change adjusted to reflect extra resources expected for planning and change implementation to deal with decline.

of total higher education revenues because of the enrollment decline. This does not directly affect the institutions, but it does suggest the possibility of the State allocating that 4 percent back to the institutions either through an increase in the TAP schedule or through some other mechanism. In fact, if this were done, and if the State were similarly to reallocate the 4.5 percent reduction in State revenues back to the institutions, the books could be kept in balance. This particular simplified illustration, therefore, suggests that if the State were to maintain its current level of support for higher educaton (with appropriate adjustments for inflation), then expenditures and revenues for higher education could be kept in balance.

Ultimately, if this type of analysis were used by planners, it would have to be extended to consider differential impacts on different sectors and types of institutions. The dependence of different groups of institutions on student-driven revenues and on State revenues may create quite different results from this or any other specific set of assumptions. This will undoubtedly affect the choice of mechanisms used to reallocate resources just as will the relationships to objectives discussed earlier. Equally important considerations would be the cost impacts of shifts in faculty and student composition.

SUMMARY AND CONCLUSIONS

In the past because of the growth in enrollments and the general prosperity of the State, State-level resource allocation for postsecondary education was a relatively straightforward task. In the fututre the decline in enrollments and general fiscal difficulties of the State will make resource allocation much more difficult. Barring an unforeseen turnaround, priorities will have to be established, tradeoffs will have to be made, and tough decisions will be required by the State and the institutions.

This paper has suggested a possible approach to the development of resource allocation strategies for higher education. It is doubtful that this approach (or any other approach) will yield strategies acceptable to everyone. However, if used openly in appropriate forums, it should make clear some of the options that are avaiable and the implications of alternative strategies for different constituencies. Consensus is not required, but those making the final decision should have firmly in mind the consequences of any allocations they make.

SELECTED REFERENCES

Bahl, R.W. The New York State Economy: 1960-1978 and the Outlook. Syracuse, N.Y.: Maxwell School, Syracuse University. 1979.

Carroll, S.J. et al. The Enrollment Effects of Federal Student Aid Policies. Santa Monica, CAL.: Rand Corporation. 1977.

Division of the Budget. State of New York Five-Year Projection of Income and Expenditures, General Fund Fiscal Years 1979-80 through 1983-84. Albany, N.Y.: Executive Chamber, State Capital. 1979.

Garms, W.I. Financing Community Colleges. New York: Teachers College Press. 1977.

Podell, L. Revenues and Expenditures of Postsecondary Education in New York State, FY 1975-1977. Albany, N.Y.: Commission on Independent Colleges and Universities. 1979.

Rowse, G.L. College Enrollments and Student Access in New York State: Prospects for the 1980's

Stein, R.G. "The New York City Budget: Anatomy of a Fiscal Crisis." Federal Reserve Board of New York Quarterly Review. Winter 1976. pp. 1-12.

Thomson, D.R. The "Voucher System" and Higher Education in New York State. Albany, N.Y.: State Education Department. 1970.